

The Ethics Office

INTERNATIONAL MONETARY FUND

Annual Report
2007

Practical Ethics



Practical Ethics

Just as the Fund encourages transparency and good governance as the bedrock of well-functioning governments, so must ethics and integrity serve as the foundation of our own institutional culture.

Message from Joan Elise Dubinsky, Ethics Officer

Business ethics, as a professional discipline, is barely 30 years old. Today, the phrase “ethics in the workplace” yields more than 68,000 Google results. This simple exercise shows how far we have come in linking ethical concepts with what happens in the workplace.

Since October 2004, I have been a part of this change at the IMF. It is gratifying to see that there is now a greater understanding of what the Ethics Office is and what we do. There is a growing acknowledgement that the complexity of the Fund’s work means that the line between right and wrong can sometimes be blurred and independent advice can help prevent inadvertent missteps. It is not possible to have a rule that guides every aspect of our conduct: our behavior and responses to changing conditions are just too complex; our work lives are rarely clear-cut. Today, I can report that there is an increased willingness to seek advice when questions arise.

The Fund ended the year in a difficult place—facing a climate far different from that of a year ago. The challenges—including the downsizing, budget restrictions, and refocusing initiatives—have led to an even stronger need to consider the ethical aspects of what we do and how we do it.

Stories about ethical transgressions in organizational contexts make headlines around the world. Just this past year, outside the Fund, we have seen several high-profile officials fall from grace in spectacular and much-publicized fashion following personal ethical lapses. Clearly, misconduct by individuals and by organizations continues to command the public’s attention. It is an unfortunate truism that virtuous behavior rarely gets noticed in the headlines.

Such episodes can serve as cautionary tales. Both the Fund and its staff operate in the public domain. Ethical problems may cause damage well beyond the specific individuals involved—they elevate the institution’s risk while harming its reputation. The higher an individual’s organizational position, the greater the degree of public scrutiny. As the visibility of the job increases, the expectation of privacy in the job-holder’s personal life decreases.

Again, this highlights the importance of institutionalizing ethics. An ethical organization encourages honesty and truth-telling and builds trust and confidence among its staff. Its employees feel safe speaking up when an ethical concern arises. An ethical organization demands accountability from itself and from all individuals who represent it. And an ethical organization is one in which the tone is set at the very top; in which the importance of ethical decision-making gets conveyed early and often, across and through all quarters.

Here within the Fund, though, we still seem shy about discussing the ethical aspects of our work and our workplace culture. Although we have made progress, there remains some debate about the value of the Ethics Office and the work that we do. Within certain Fund quarters, I sense only conditional acceptance that an ethical perspective is critical to the Fund’s long-term success. It is clear what we—as a community—must do. Our focus must be on building awareness and promoting ethical behavior through training, outreach and education.

Embedding ethics into all aspects of personal and professional behavior is not easy. But it is the right course of action. Ultimately, it is how we demonstrate our obligation to our members to serve as their trusted—and trustworthy—advisor.

A handwritten signature in black ink that reads "Joan Elise Dubinsky". The signature is written in a cursive, flowing style.

Joan Elise Dubinsky

Ethics Officer

International Monetary Fund

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The Ethics Challenge

What are the ethical challenges that confront Fund staff? How do we respond to these challenges? Ethics issues typically fall under four risk groupings: conflicts of interest, workplace fairness, use of resources and information, and external compliance.

Categories of Ethics Concerns

Contacts to the Fund's Ethics Office are classified based on the type of issue raised. Standardizing the categories allows comparisons of the caseload over time and helps detect emerging risk areas.

Conflicts of Interest	Workplace Fairness
Conflicts of interest <ul style="list-style-type: none"> • Gifts, awards, honors • Favoritism, nepotism Financial disclosure External activities <ul style="list-style-type: none"> • Post-Fund employment • Memberships on outside boards 	Discrimination <ul style="list-style-type: none"> • Harassment • Hostile environment • Abusive management Retaliation
Resources & Information	External Compliance
Misuse of Fund resources <ul style="list-style-type: none"> • Fraud, waste and abuse • Corruption Misuse of Fund information	Unpaid debt Visa <ul style="list-style-type: none"> • G4/G5 employment matters Other <ul style="list-style-type: none"> • Domestic violence • Avoidance of legal obligations

Defining the Undefinable

Ethics is about making choices that have moral consequences. Ethics describes the set of criteria or principles that we use when selecting a course of action in the face of competing—and sometimes conflicting—values.

While it is difficult to define what constitutes an ethical issue in any narrow or strict way, we can categorize types of ethical questions or issues, as we do for purposes of data comparison. We can list an organization's rules and expectations about staff conduct. Ultimately, though, the individuals involved in a complex situation must decide for themselves whether a set of facts raises ethical concerns. If a staff member believes that there are ethical concerns or questions, then the Fund should provide guidance in sorting through those concerns.

If the Fund's Code of Staff Conduct addresses the question, then, by external standards, there probably is an ethical issue to consider. In many situations, the Fund's Code of Conduct provides a framework for examining ethical questions and considerations. The Code and Fund policies can help determine the next steps to be taken. The ETO can help interpret issues and guide the resolution of these concerns.

These broad definitional brushstrokes are intended to encourage each staff member to request confidential advice if he or she believes that there are ethical ramifications to consider. It is better to define an ethical issue broadly in order to encourage staff to seek guidance and refer them to appropriate internal Fund resources than to define an ethical issue narrowly. We should not make the barrier to entry so high that staff feel discouraged from talking about the ethical aspects of their work.

This does not mean that the Ethics Officer acts as the moral arbiter, responsible for solving or judging all ethical questions or issues that can arise. Rather, staff must feel comfortable that their concerns about right or wrong conduct—and what we at the Fund mean by moral conduct—will be heard by at least one Fund office. Once we articulate the ethical concerns posed by a situation, we can identify the appropriate resources to help individuals examine and resolve the matter.

Reputation

When staff behave unethically, the Fund's reputational risks are elevated. Should a staff member knowingly give biased advice to a government, take advantage of inside information for personal gain, leak confidential Fund or member country information, or treat G-5 domestic workers badly, the Fund's reputation may be damaged.

The current refocusing of the Fund and articulation of its new strategic direction will result in an expanded set of professional challenges for staff at all levels. A broader mandate for the Fund exposes staff to situations where the line dividing ethical and unethical behavior may be less clear. Involvement with the private financial sector requires staff to become familiar with a new or expanded set of ethical standards and expectations specific to that sector.

As the Fund focuses more on the intersections among all aspects of global finance, staff will be exposed to a far broader range of ethical questions. Reliance only upon Fund rules and ethical standards may prove inadequate to understand and resolve these new issues. Different players and different institutions will require an appreciation by staff of multiple ethical perspectives as they navigate these new waters.

Informal Consultations

This year has brought a heightened awareness of the connection between ethical action and the Fund's reputation. To address this awareness and at the invitation of its Chairman, the Advisory Committee on Risk Management consulted informally with the Ethics Officer on ethics and reputational risks facing the Fund.

These discussions encouraged a productive collaboration among External Relations, the Human Resources Department and the Ethics Officer that identified strategies to address these risks:

- Increase awareness so that Fund staff can recognize, appreciate and respond to emerging ethics and reputational risks
- Improve accessibility of information about the Fund's rules and expectations and encourage staff to seek advice and guidance when in doubt
- Encourage reporting concerns about possible unethical conduct through confidential or anonymous channels so that the Fund can investigate, resolve and reduce ethical risks

Fear of Retaliation

No employee should fear speaking up about an ethical concern.

In the event that a staff member has witnessed an ethics breach, concern about potential retribution may prevent this individual from coming forward. When staff fail to speak up, the Fund is unable to determine what has occurred, with the result that problematic situations go unresolved.

Statistics suggest that the actual number of retaliatory workplace actions is far lower than is commonly perceived. A recent survey reported that nearly 90 percent of workers surveyed had not experienced retaliation as a result of their reporting of a potential ethics violation. Nevertheless, the study showed that many workers still do not speak up. Why? The Ethics Resource Center reported that the number one reason was fear of retaliation. The number two reason was a sense of futility combined with doubt that speaking out would make a difference.

Both the Ethics Office and the Fund's Ombudsperson have noticed a trend among staff that has accelerated in the past several years. Consistently, staff who seek out the services of either the Ombudsperson or the Ethics Officer express some measure of fear of retaliation or retribution. The majority of staff who seek assistance believe that if it becomes known in their workplaces that they have solicited help or reported concerns about unethical conduct, their own jobs will be somehow jeopardized. This is unacceptable. A whistleblowing system is a critical organizational response that can reverse these trends by encouraging staff to speak up and protecting those who fear retribution. For more on the whistleblowing system, please see Section IV on Initiatives.

About the Ethics Resource Center

The Ethics Resource Center is a non-profit, independent research organization focusing on the advancement of high ethical standards and practices in public and private institutions. ERC's National Business Ethics Survey® (NBES), published every two years, is a nationally recognized barometer of workplace ethics, and provides valuable information on trends affecting the workplace. The longitudinal survey of 3,000 US workplaces measures how employees at all levels view ethics within their own organizations.

Communication and Training

Some ethical issues are clear-cut, such as fraud, misuse of resources or information, bribery, or intentional falsification of records. Other situations might not be so clear. For instance, is an office romance always unethical? What does it mean to use insider information? Are conflicts of interest influenced by culture or nationality? How can the Fund maintain confidentiality yet also promote transparency?

One of the best instruments for identifying and resolving ethical issues is communication. The Fund is constantly issuing and updating its policies and procedures. However, it can be a challenge for new staff to find and apply these rules and standards. This is especially true if staff do not have a deep organizational knowledge about how the Fund's standards have evolved over time. By committing to making the Fund's rules and standards clear, easily accessible, and well organized, we help meet this fundamental need for information.

Training is another critical tool to assist staff in identifying and resolving ethical challenges. The Ethics Office continues to reach out to HRD to develop a comprehensive ethics and training strategy. The goal should be to integrate key ethics concepts and skills throughout the entire array of staff training programs.

Meanwhile, ongoing educational efforts include:

- Informal discussion sessions at departmental meetings
- Training for candidates in the Fundamentals of Management program on ethical decision making
- Presentations with the Ombudsperson on promoting a respectful environment
- Exploring ethical aspects of management coaching
- Participation in quarterly briefings for G4 staff who employ G5 domestic workers
- Ethical decision-making seminars for Resident Representatives
- Facilitated discussions about the ethics of downsizings and lay-offs
- Conversations about the Fund's core ethical values

Overview of the Ethics Office

The Fund established the Ethics Office in February 2000. Eight years later, some staff remain unclear as to its role and function. The Ethics Office provides independent and confidential ethics advice to all Fund employees. It collaborates and cooperates with a number of Fund departments, within the parameters of its obligations of trust, confidentiality, and independence.

Who We Are

The Ethics Office is a small, independent office, reporting directly to the Managing Director. This ensures that ethics advice is provided objectively and without bias. The Ethics Officer conducts and/or oversees investigations related to staff misconduct to ensure that they are handled professionally, objectively, fairly, and consistently. The Ethics Officer helps shape the Fund's organizational culture for ethical action and participates in developing selected Fund policy.

The Ethics Officer serves under an initial two-year contract, with the option of one three-year extension. This is the fourth year of the current Ethics Officer's five-year tenure.

How We Help

The office serves the Fund and its staff through:

- Advisory and guidance services: on ethics, values, and rules on staff conduct. Confidential conversations before the fact can help guard against ethical breaches and can encourage staff to take the step beyond minimally acceptable behavior. Confidential conversations that identify possible ethics breaches offer staff the opportunity to resolve matters at an early and informal stage. Confidential conversations also protect complainants or whistleblowers and ensure that appropriate follow-up with relevant parties will occur.
- Education: promoting ethical awareness through education, communication and training. Staff are more likely to comply with the Fund's rules and standards if they are aware of these expectations, can easily find and apply the rules, and receive training on ethical decision-making.
- Investigations: conducting confidential internal investigations into allegations of unethical behavior and/or misconduct.

Independence

The Fund created an independent Ethics Office to free it from certain organizational constraints. The Fund has established other independent offices, including the Office of Internal Audit and Inspection, the Independent Evaluation Office, and the Ombudsperson. The fundamental nature of independence may vary among these institutional offices.

According to leading ethics and compliance associations and research institutions, there are four key elements to the type of independence afforded to ethics officers¹:

1. Accountability to the organization's governing and executive authorities while discharging delegated fiduciary responsibilities
2. Ability to raise matters of concern without fear of personal reprisal or conflict of interest
3. Connection with the organization's operations in order to build an ethical culture that advances the organization's overall mission and objectives
4. Authority to have decisions and recommendations taken seriously at all levels of the organization

There are advantages and disadvantages inherent in ethics officer independence:

The upside:

- The ability to speak truth to power
- The freedom to articulate difficult issues and concerns on their own merits
- The capacity to provide advice and counsel even when it may be contrary to what the advice-seeker would like to hear
- The ability to speak freely without regard to future employment. At the Fund, the Ethics Officer is bound by a fixed, five-year, non-renewable term of office

The downside:

- Advice from the Ethics Officer does not carry the same weight or authority as legal advice
- Advice seekers are under no obligation to follow ethics advice
- The Ethics Officer is outside of the management chain, and has limited ability to put into operation suggested best practices
- The five year term limit means a loss of institutional knowledge each time the position turns over. Knowledge of relevant precedents and organizational know-how is not sustained
- This lack of continuity means that the ethics function must reinvent itself every five years

¹ See "Leading Corporate Integrity: Defining the Role of the Chief Ethics and Compliance Officer," issued by the Ethics Resource Center, the Center for Business Ethics, the Ethics & Compliance Officer Association, and the Society for Corporate Compliance and Ethics, 2007.

Ombudsperson or Ethics Officer?

Some staff have expressed hesitation when approaching the Ethics Officer or the Ombudsperson, as they seek to understand the differences in each office's scope and range of services. Each office offers the Fund community a specific type of expertise within the boundaries of confidentiality. There is a small area of overlap, intentionally designed to encourage staff to seek assistance. Here are some examples of when to seek out the Ethics Officer or the Ombudsperson.

ETO	Either One	Ombudsperson
<ul style="list-style-type: none"> • Applying a Fund rule on staff conduct to a particular set of facts • Conflicts of interest of all types • Financial disclosure • Post-Fund employment • Issues related to G-5 domestic workers • Domestic violence • Political activity • Compliance with laws and rules of the jurisdictions where staff are posted • All topics addressed in the Code of Staff Conduct 	<ul style="list-style-type: none"> • Harassment • Discrimination • Retaliation 	<ul style="list-style-type: none"> • Inequitable application of specific HR rules • Bullying • Coping with workplace change • Workplace disputes between co-workers • Annual Performance Review issues • Problems with management styles • Personality conflicts • Promotions • Career development

When in doubt, start with the Ombudsperson, who will direct you from there.

Report on 2007 Activities and Operations

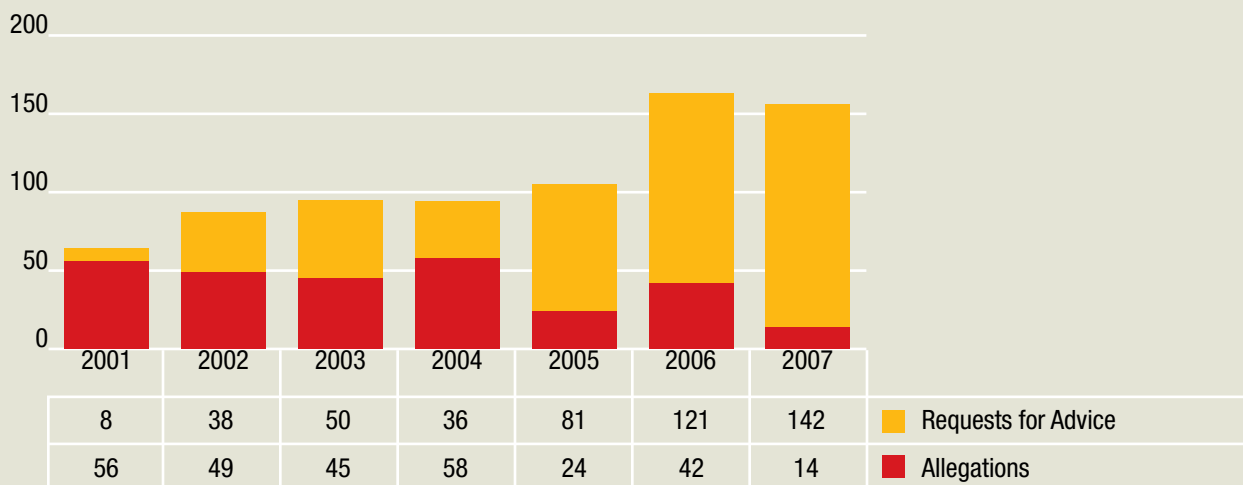
Advisory and investigative cases form the core of the Ethics Office workload. Significant cases surfaced in 2007, including issues related to sexual harassment, retaliation, domestic violence, attempted identity theft, and misuse of resources through benefits fraud and employee theft. Anticipation of possible job loss resulting from the downsizing exercise heightened staff anxiety and resulted in an increase in advisory consultations.

Beyond its advisory and investigative capacities, the Ethics Office engaged in extensive outreach, communication and consultative activities, to further promote ethics within the Fund and to cement the Fund’s reputation as an ethical leader among other comparable institutions.

Advisory and Investigative Caseload

This year’s statistics reveal a notable downward trend in the number of allegations of misconduct reported to the ETO—well below the number reported each year since the establishment of the office in 2000. This raises a red flag. A positive interpretation would suggest that the efforts of the

ETO Work Load 2001–2007



Ethics Office to increase awareness are leading to a significant decline in unethical behavior on the part of Fund staff. A negative interpretation would suggest that fear of retribution has increased significantly, possibly due to the uncertain employment climate within the organization. In either case, this is a trend that bears watching.

The office received 156 total cases for the 12-month period ending December 31, 2007. Of this number, 142 were requests for advice and 14 involved allegations of misconduct. For the previous 12 month period, the office handled 163 matters—121 advisory cases and 42 investigations into allegations of misconduct. The total number of matters is approximately the same when comparing 2006 with 2007 data. However, the distribution of the workload between advisory and investigative matters has changed significantly.

Ethics Office Case Load for the Period January 1 through December 31, 2007

	Investigations	Advice
Misuse of Fund resources	3	7
Misuse of information	1	4
External activities	0	52
Conflicts of interest	1	22
Retaliation	1	2
Visa issues	2	13
Unpaid debt	1	2
Financial disclosure	0	6
Workplace fairness	5	19
Other	0	15
TOTAL	14	142

Ratio of Contacts per 100 Staff per Year

According to a 2006 Benchmarking Survey issued by the Conference Board¹, organizations typically document 2.5-3.5 ethics-related contacts per 100 staff members per year. These statistics include requests for ethics advice as well as allegations of misconduct or unethical behavior.

¹ The Conference Board is a leading business membership and research organization, best known for its Consumer Confidence Index and Leading Economic Indicators. For more on the benchmarking survey, see "Universal Conduct: An Ethics and Compliance Benchmarking Survey," issued by the Conference Board, New York, 2006. (Research Report T-1393-06-RR), written by Ronald E. Berenbeim.

Our data for 2007 indicate that the ratio of contacts per 100 staff per year falls well above the norm. There is a positive connection between an increase in the number of staff seeking guidance and a heightened institutional awareness of the sometimes blurred line between right and wrong, given the complexity of the Fund’s work. We note an increase in staff advisory inquiries exploring the difference between what is minimally acceptable behavior and what is truly the right thing to do in a particular circumstance. These are positive developments. The overall growth in ethics advisory services tends to indicate that staff view the ETO as a valuable resource.

The volume of overall ETO usage, close to 5.5 calls per 100 staff is also an indication of workplace disruption and/or high employee anxiety. We can correlate this directly to three considerations:

- The downsizing and refocusing of the Fund’s mission
- Stress related to the possibility of job loss
- Uncertainty with regard to post-Fund employment

While the ratio is high, a look inside the broader number reveals that in 2007, the ETO received far more requests for ethics advice than allegations, at a ratio of almost 10:1. That there are more advisory calls than investigations is a positive trend.

Contacts per 100 Staff per Year – 2001 to 2007

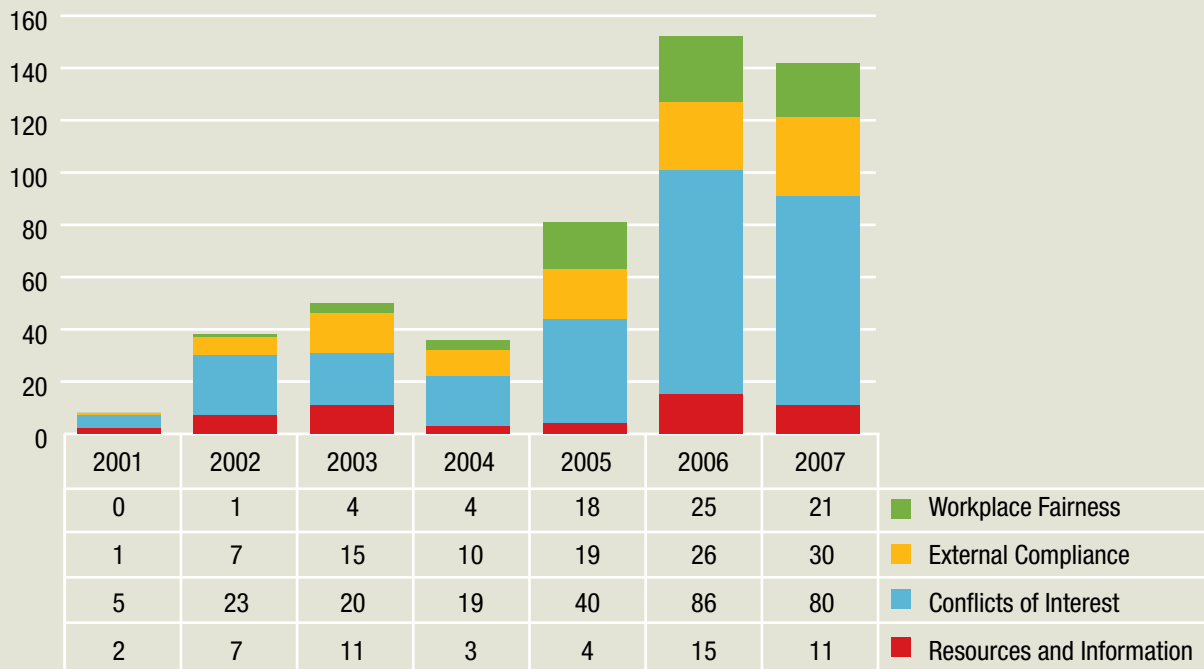


Advisory Cases

In 2007, the Ethics Office saw a 14 percent increase in advisory cases, with 142 requests for individual consultations compared to 121 requests in 2006. These usage rates are well above the 81 individual advisory requests recorded in 2005. More than half of these queries involved conflicts of interest, an umbrella category that includes but is not limited to gifts, honors and rewards, external activities, outside employment, protection of confidential information, appropriate use of Fund resources, and financial disclosure. A primary concern for staff seeking advice in 2007 was navigating the ethical issues involved in seeking employment outside of the Fund and inside the private financial sector. For a brief guide to these considerations, see the section below on Policy Consultations.

Staff and their G-5 workers sought ethics advice on visa matters involving employment relationships and contract disputes. Staff also sought advice on workplace relationships and issues regarding unfair treatment, harassment, and retaliation.

Advisory Matters by Topic Groups – 2001 to 2007



Allegations

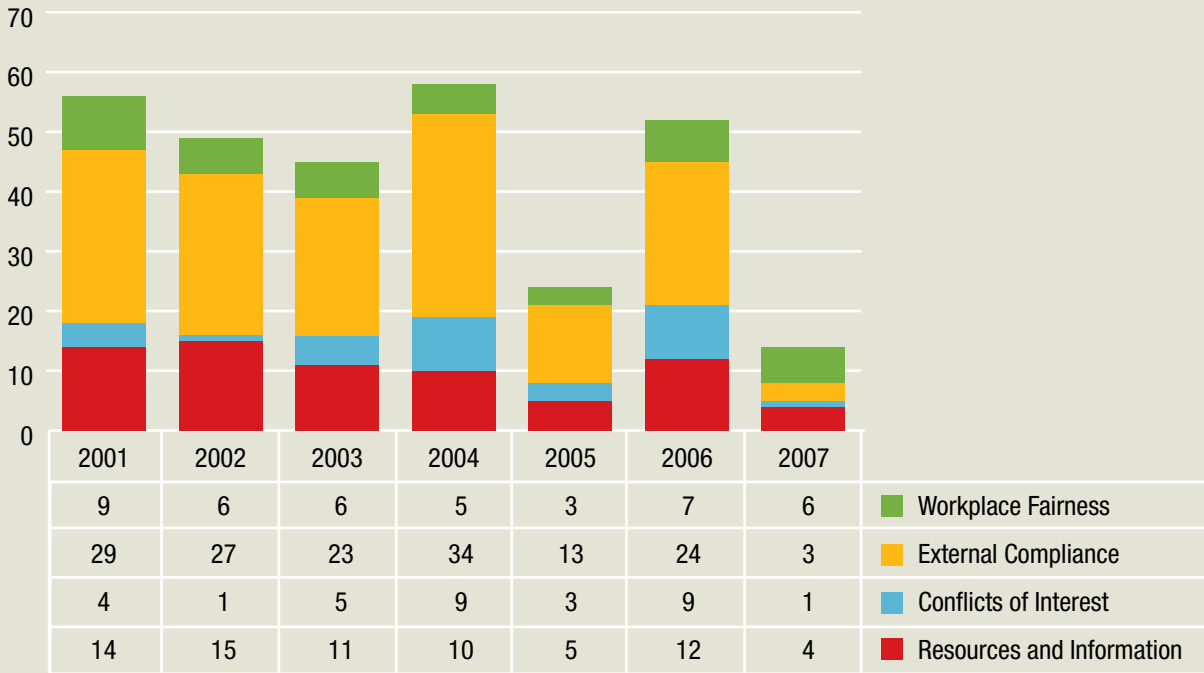
As noted above, the office received fewer allegations of staff misconduct this year, which directly resulted in fewer investigations than in years past. We have already noted a tangible fear of speaking up, with staff perceiving that sharing information related to unethical behavior would not affect positive change—instead, there is a sense that it would either get the caller into trouble or be nothing more than a futile gesture.

Though the overall number of allegations decreased between 2006 and 2007, the seriousness of the matters under investigation increased, consequently elevating the potential of ethical and reputational risk to the Fund. Among the matters investigated were situations involving allegations of:

- Benefits fraud
- Employee theft
- Attempted identity theft
- Retaliation
- Sexual harassment
- Conflicts of interest

The ETO received no investigative referrals this year from Human Resources Department or the Office of Internal Audit and Inspection. In past years, both departments have referred matters to the ETO for internal fact finding.

Allegations by Topic Groups – 2001 to 2007



Investigations and Outcomes

This year, staff reported 14 allegations of staff misconduct. Some allegations were resolved informally or through referral to other management channels, and thus did not advance through the complete investigative process. All formal investigations conducted by the ETO follow the Fund’s Procedural Guidelines on the Conduct of Investigations Into Allegations of Misconduct. The ETO submits its Reports on Investigations either to the Director of HRD, for matters involving A-level staff, or to the Managing Director, for matters involving B-level staff. As of December 31 of each year, the Ethics Office assigns a closing determination to each staff misconduct allegation, selecting among five possible choices:

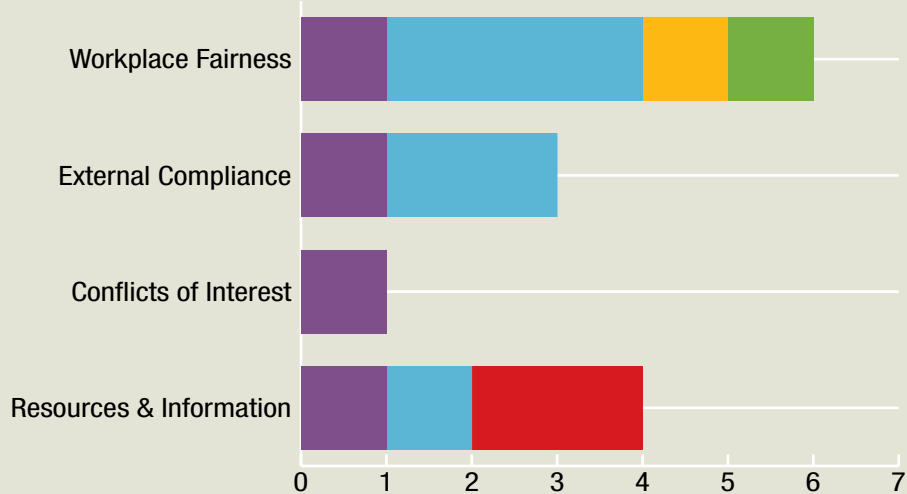
- Allegation dismissed or withdrawn
- Informal resolution
- Pending
- No misconduct found
- Misconduct found—allegations substantiated

The Ethics Officer makes no recommendations as to next steps following conclusion of its investigations. The decision to formally charge a staff member with misconduct and/or impose disciplinary action if the allegations are substantiated falls under the purview of the Director of HRD or the Managing Director.

Accountability is a tricky and sometimes uncomfortable issue. This year, disciplinary actions imposed by the Fund were more lenient than they might have been, indicating some significant differences in opinion about the nature and severity of substantiated misconduct. This careful and cautious approach appears to have been applied uniformly across all categories and levels of employment.

In general, the Fund is reluctant to take action that would cost staff members their employment. For some, this is the mark of a compassionate employer. Yet, for certain types of infractions, loss of employment is the appropriate response. When employees at all levels understand what is expected of them, and are confident that these expectations are uniform, we are able to move toward a culture of accountability.

Investigation Outcomes by Topic Groups – 2007



	Resources & Information	Conflicts of Interest	External Compliance	Workplace Fairness
Misconduct Found ■	2			
No Misconduct ■				1
Pending ■				1
Informal Resolution ■	1		2	3
Dismissed or Withdrawn ■	1	1	1	1

Program Activities

In addition to its advisory and investigative caseload, the Ethics Office undertook a number of programmatic initiatives this year. The ETO engaged in multiple activities supporting Fund strategy, policy and practice, and conducted external outreach to highlight the Fund's ethical standards.

Internal Consultations

The Ethics Officer met with numerous groups and individuals at all levels to build awareness, consider ethics risk management, share knowledge on selected policies, and discuss the importance of articulating the Fund's values. Some of the primary consultations included:

- Meeting with Executive Directors at the invitation of the Dean of the Board: Conversation centered on leadership ethics, whistleblowing systems, and staff and Board codes of conduct.
- Meeting with Department Directors at the invitation of the Director, EXR: Conversation explored benefits of articulating and disseminating a set of Fund-wide ethical values.
- Meeting with the Advisory Committee on Risk Management at the invitation of its Chairman: ETO provided input on ethical and reputational risk exposure facing the Fund. Among the issues covered were the potential for leaks of confidential information, insider trading, and staff failure to comply with local laws. The ETO highlighted the fact that IMF leaders should have heightened expectations about their personal conduct, as well as increased external scrutiny.
- Semi-annual executive sessions with the External Audit Committee, at the invitation of its Chairman, to review ethics activities and outcomes.
- Consultations: informal collaborative discussions with SAC, Ombudsperson, and members of HRD on the ethical implications of restructuring, downsizing, and lay-offs; collaboration with OIA teams on specific audit issues; conversations with IEO on governance, independence, and prevention of conflicts of interest.

Policy and Practice Consultations

With a growing institutional awareness of the strategic importance of integrating ethical considerations into all aspects of Fund operations comes the need for operational guidance. It is one thing to acknowledge the overarching, theoretical and philosophical rationale for ethical conduct. It is another thing entirely to take tangible steps that affect day-to-day policy and practice.

How, exactly, does the Fund incorporate ethics into its policies and practices? Efforts during 2007 included:

- Exploratory meetings among LEG, ETO and HRD on invigorating revisions to GAO 33 on staff misconduct, the Terms of Reference for the Ethics Officer, and the Procedural Guidelines for the Conduct of Investigations into Allegations of Misconduct
- Consultations with HRD to define post-Fund employment rules and practices
- Discussions regarding expansion of various LWOP programs into the private financial sector and identifying and remediating risks of ethical misconduct when Fund staff accept employment in the private financial sector
- Reviews of individual applications and requests for various kinds of Leave without Pay to detect, prevent, and remediate conflicts of interest
- Advice to Procurement Department on annual vendor/supplier reminder letter about the Fund's restrictions on staff acceptance of gifts
- Guidance to staff on appropriate use of Fund's information technology, issued as a joint message with the Chief Information Officer

An Ethical Checklist for Post-Fund Employment

The Fund has policies that can help staff identify possible ethical issues when seeking post-Fund employment. Staff are encouraged but not required to seek out confidential ethics advice before embarking upon a job search outside of the Fund. It is easy to assume that the Fund's approach to ethical conduct and its policies apply universally to the private financial sector, but experience teaches that this is not the case.

Here is a checklist for the kinds of ethical considerations that staff may encounter when working in the private financial sector:

- ☑ Protecting confidential data—whether it is Fund information, member country information, client information, or company information
- ☑ Giving or receiving gifts, meals, or entertainment
- ☑ Preventing insider trading or insider tipping
- ☑ Discharging fiduciary duties for client portfolios and making investment decisions on behalf of others
- ☑ Preserving arms-length relationships with former Fund colleagues and contacts
- ☑ Protecting proprietary data, intellectual property, and technical “know-how”
- ☑ Avoiding corruption, bribes, kickbacks, and facilitation payments
- ☑ Abiding by prohibitions against trading in gold, foreign exchange, and short-term trading for speculative purposes
- ☑ Avoiding financial, personal, and organizational conflicts of interest
- ☑ Avoiding anti-competitive arrangements or agreements

There are no simple answers to complex ethical questions: long-term ethics training is key

In our rapidly changing world, new issues and new ethical dilemmas arise all the time. Against this shifting backdrop, knowing the right thing to do and applying a consistent, moral standard to all aspects of Fund work requires education and ongoing reinforcement. To help staff and the institution hone their ethical skills and to reinforce a strong moral foundation, the Ethics Office has taken the first steps toward creating a detailed, long-term ethics training strategy.

Such a strategy would incorporate key ethics understandings, policies, competencies, and decision-making skills throughout the Fund employment life-cycle. A customized approach would help staff at various stages in their careers understand how to address the different ethical dilemmas they may face. Already, several successful pilot programs have been offered to selected staff, in cooperation with HRD.

Potential topics for future ethics and compliance training could include:

- Introduction to the Code of Conduct
- Refresher training on the Code of Conduct and updates to related policies
- The whistleblowing system
- Techniques on conducting internal investigations—for targeted staff
- Retaliation prevention for managers and supervisors
- Ethical decision-making

A full curriculum, which would be integrated with existing Fund courses, would allow the discussion of ethical considerations at multiple points throughout an employee's career. In addition, selected programs could run as stand-alone course offerings.

External Consultation and Outreach

As an acknowledged leader in the field, the Fund's Ethics Officer often provides guidance to other international organizations and corporations on creating and sustaining ethics initiatives and ethical organizational cultures. This profile reflects positively on the Fund's own efforts to enhance its internal ethics framework.

A number of multilateral organizations have requested consultations on establishing ethics and compliance functions, adopting values-based systems, drafting codes of conduct, and establishing standards around conflicts of interest. The ETO has responded to inquiries on disclosure processes, annual certification, training and education, and identification and remediation of financial, personal and organizational conflicts of interest. This year, the ETO has worked with the World Bank, the Inter-American Development Bank, the Pan-American Health Organization, the Office of Security and Cooperation in Europe, the World Intellectual Property Organization, and the Global Fund for the Prevention of AIDS, Tuberculosis, and Malaria.

The Ethics Officer also accepted several invitations this year to speak about the Fund's commitment to ethics and integrity. Engagements included presentations at the 8th Annual International Investigators Conference, The Conference Board, the European Business Ethics Network, PLI-Corpedia Corporate Compliance Conferences, and the Ethics & Compliance Officer Association.

ETHICS OFFICE SCORECARD: 2004 – 2009

In 2004, the ETO set out to	Top 10 positive changes in 2007	On the ETO to-do list
Revise the Code of Conduct	Create the Ethics & Integrity Web Site	Revise the Code of Conduct
Explore ways to reduce staff fear of retaliation, such as creation of an anonymous whistleblowing system	Gain broader recognition that ethics is of strategic importance to the Fund	Activate the IMF Integrity Hotline and reduce staff concerns about retaliation
Clarify issues surrounding conflicts of interest including review of rules on financial disclosure, financial certification, gifts and entertainment, outside activities, prohibitions on currency trading, use of confidential information for personal gain, political activities, post-Fund employment and contacts with the private financial sector	Identify strong connection between ethical conduct and reputational risk management	Harmonize the Fund's methods to identify, prevent, and mitigate all types of conflicts of interest
Promote a broader and more integrated understanding of ethics at the Fund	Increase collaboration with HRD, OIA, the Legal Department, Technical and General Services, Finance, and External Relations	Encourage actions that go beyond the level of minimally acceptable ethical behavior
	Increase training time focused on ethical considerations	Help maintain Fund's commitment to support an ethical workplace culture
	Develop ethics communication strategy	Enhance individual accountability
	Increase use by Fund staff of ETO advisory services	Implement ethics communication strategy
	Increase number of internal consultations with departments	Enhance robustness and functionality of web site
	Increase external outreach about Fund's commitment ethics	Develop and implement comprehensive ethics training strategy based on employee life-cycle
	Participate informally in dialogue about the ethical implications of designing and implementing the staff downsizing exercise	With LEG, HRD, and OIA, update the process the Fund uses to conduct internal investigations

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Section

Beyond Compliance: 2007 Initiatives

This year saw the introduction of several initiatives aimed at expanding staff education and awareness about ethical issues facing the Fund. In addition, a broad-based Fund working group recommended that the Fund establish a confidential whistleblowing system.

Ethics and Integrity Web Site

The creation and roll-out of the Ethics and Integrity Web site represents a significant accomplishment for 2007. The user-friendly site provides a wealth of information related to ethics and compliance. It centralizes in one place guidance about ethical conduct already available, but dispersed throughout our intranet. The site offers details on the types of ethics issues Fund staff may encounter as well as where to go to seek assistance with ethical issues. In addition, the site contains links or information about:

- N-Rules, General Administrative Orders, and Staff Bulletins on selected staff conduct topics
- Executive Board Code of Conduct, Code of Staff Conduct, Mission Code of Conduct, and G4-G5 Code of Conduct
- Guidelines on conflicts of interest
- Guidelines for the conduct of internal investigations into allegations of staff misconduct
- Description of the duties of the Ethics Officer
- Links to prior Ethics Office Annual Reports

In the future, enhancements to this web site will include increased functionality and additional interactive features.

The screenshot displays the HR Connect web site interface. At the top, there is a navigation bar with links for 'IMF Intranet', 'Phone Directory', and 'IMF.ORG'. Below this, a secondary navigation bar includes 'HR Home', 'HR Guide', 'ESS', 'MSS', 'Career Opportunities', 'Forms', and 'Feedback'. The main header features the 'HR Connect' logo and the tagline 'Information provided by the IMF Human Resources Department'. A search bar and a 'Search' button are located on the right. The breadcrumb trail reads 'Ethics & Integrity > Ethics Officer > Ethics Officer'. The main content area is titled 'Ethics Officer' and includes a 'Posted On 10/16/07 11:44:40' timestamp. The text states: 'The Fund created the Ethics Office and retained its first Ethics Officer in January 2000. The Ethics Officer reports directly to the Managing Director, and serves no more than a five year term in office. The function is independent of all other departments, including HRD, OIA and LEG.' Below this text are three bullet points with links: 'What does the Ethics Officer do?', 'How may I contact the Ethics Officer?', and 'Where can I obtain more information?'. A left-hand sidebar contains a list of navigation links: 'Your Salary', 'Your Benefits', 'You & Your Family', 'Your Career', 'Your Workplace', and 'Ethics & Integrity'.

Whistleblowing System

Under the leadership of Michael Kuhn, Director of FIN, an informal working group was convened to recommend to Management approaches to whistleblowing facilities—a topic strongly recommended by the ETO in 2005, and again in 2006¹. This group considered ways to address the fear of retaliation on the part of staff who are reluctant to speak out about possible ethics violations.

The result of these deliberations was a recommendation to Management to implement the confidential IMF Integrity Hotline for handling allegations of misconduct by Fund employees², whether on an anonymous or identified basis. It was recommended that the system be made available to both internal and external complainants.

The ETO devoted considerable time and resources to the support of this endeavor, in collaboration with FIN, OIA, HRD, EXR, LEG, TGS-IT, and the Staff Association Committee. The proposed whistleblowing system has been built and tested. Launch is anticipated for sometime in 2008.

The proposed IMF Integrity Hotline is intended to supplement the Fund's existing reporting channels, notably the Ombudsperson, the Ethics Officer, Department Heads, Senior Personnel Managers, and supervisors. The establishment of the hotline will help reinforce the Fund's commitment to the highest standards of ethics. The hotline will bring the Fund into closer alignment with practices already followed by most other comparable institutions. A whistleblowing system that features safeguards against misuse will help ensure the Fund's reputation for probity while protecting the rights of all staff members involved.

While staff who wish to discuss conduct-related concerns may continue to use the Fund's internal resources—including the strictly confidential services of the Ombudsperson—the hotline offers the option of reporting allegations through an independent, external mechanism.

The Fund has selected an outside vendor to offer 24/7/365 telephone support and Web reporting coverage. Interview specialists at the hotline company are trained to ask questions that explore callers' concerns. As part of the follow-up process, corroborative evidence will be sought with respect to anonymous allegations received through the hotline or elsewhere.

Once the hotline is operational, staff can call at any time to express concerns about possible misconduct, policy violations, or unethical behavior.

¹ The issue of establishing a confidential whistleblowing system is not a new one; it has been raised in each of the last two annual reports of the Ethics Office. See "Ethics Matters", The Ethics Office Annual Report 2004-05, pp 30-31; "Ethical Balance," The Ethics Office Annual Report 2005-06, pages 27, 31.

² "Misconduct" at the Fund refers to violations of the Fund's rules on Conduct of Staff Members (GAO No. 33), as further explained in the Code of Conduct.

Institutionalizing Ethics

This year, a number of key departments reached out to the Ethics Officer for collaboration on efforts to broaden and deepen the Fund's commitments to ethical conduct. Interdepartmental collaboration has highlighted the cross-organizational importance of ethical decision-making in every aspect of the Fund's work. For example, the Ethics Office worked with:

- Ombudsperson: Consultations in situations where impacted staff have provided express permission for such conversations to take place.
- Chairman of the Grievance Committee: Participation in orientation and training for incoming members of the Grievance Committee on informal and formal dispute resolution mechanisms offered by the Fund
- External Relations Department: Developing strategies to track and respond to external complaints about staff misconduct
- Human Resources Department: Integrating ethics components into training opportunities; holding informal discussions about the ethical considerations inherent in downsizings and other types of workforce reductions; participating in review of selected policies addressing conflicts of interest, post-Fund employment, and leaves of absence
- Technology and General Services Department: Updating guidelines on information security to address the wider range and reach of technology available today, including laptops, e-mail, internet and intranet access, faxes, telephones, cell phones and PDAs
- Office of Internal Audit and Inspection: Collaborating on selected matters requiring internal fact finding or investigation

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Section

Looking Ahead

Ethics in a Changing Workplace

In 2007, the painful process of downsizing and refocusing the Fund began in full force. As staff began their personal transitions, the Ethics Office helped to clarify expectations and provided insight about the different ethical expectations and landscapes of organizations outside of the Fund. When Fund staff go to work in the private sector, multiple and different ethical considerations can arise.

Other discussions focused on the changing nature of the Fund itself. We began to move from a culture of entitlement to a culture of accountability.

Part of the profound transition facing the Fund involves setting the stage for continued relevance in the face of a changing global landscape. New activities and undertakings will present novel ethical risks and challenges. As an institution, we must be sufficiently flexible to anticipate, recognize, and respond to these new ethical considerations.

One aspect of this effort involves leadership training. After all, the Fund hires people for their superb technical skills, more than for their ability to manage people. Hence, the training of tomorrow's leaders must weave in messages about ethics, values, and ethical decision-making in order to contribute to a future in which these considerations are an accepted, standard aspect of workplace activity.

Recommendations

Taking decisive action to institutionalize ethics involves a concerted, cooperative effort that cuts across all departments and runs throughout the managerial and staff hierarchy. No one department can take on this challenge alone. What follows are recommendations that are collaborative in nature, designed to strengthen the Fund as a whole.

Each recommendation will require a commitment of time and resources. Yet, the results will be clear and simple—ethics will no longer be an element apart, but rather an integral part of the Fund experience.

- Articulate, define, and use a set of core ethical values: Ethics, values and culture are related. Ethics is the thought process we use when deciding between right and wrong or between right and “more right.” An organization’s culture reflects the way things are done, its shared values, and how appropriate behavior is defined. Values matter because rules alone are insufficient. Values make expectations explicit; they unify and clarify the culture of an institution. In defining the Fund’s values, we must focus on the primary organizing principles that are at the core of what the organization does. They will help define the Fund’s culture going forward, and will guide our moral choices as we face ambiguities and make close judgment calls in an increasingly uncertain world.
- Adopt a new Code of Conduct to reflect today’s environment: Since its adoption in 1998, the Code of Staff Conduct has not been updated. It is time to revise the code to reflect changes in the external environment concerning ethical action and changes to the Fund’s own internal rules structure. To jumpstart this process, the Ethics Office has undertaken a benchmarking study to compare the Fund’s current Code of Staff Conduct with similar codes of conduct for international financial institutions, United Nations and related agencies, and private sector corporations.
- Activate the whistleblowing system: The confidential hotline is ready to go. The Fund should move expeditiously to formally announce the service and put it into operation. Continued delay may discourage staff from stepping forward and reporting their concerns about unethical behavior or misconduct. It is axiomatic that the most significant risks are the ones of which we are unaware.
- Commit to the full life-cycle of ethics training for staff: If we do not reinforce expectations, standards, and core values and demonstrate how these are used in everyday Fund work, we have not discharged our obligations to ourselves, each other, and future generations of staff. Unless we commit to educating staff so that they can apply ethical judgment in the first context, we are left with only one resort: after-the-fact disciplinary action.
- Create a culture of accountability and ethical conduct: Staff must take responsibility for their own actions. As part of their role, managers must set this tone with clear expectations—and with a willingness to call out those who have not stepped up to take responsibility. There is a tendency to ignore issues by saying, “I don’t want to get involved.” Accountability means calling to task those who are not meeting their obligations. More importantly, it means offering positive feedback and recognition to those who do take responsibility for ensuring that ours is a culture that promotes ethical conduct and integrity.

An Ethicist's Perspective on the Fund's Values

Integrity

- We do what is right for our members, our communities, the Fund, and each other. We make hard decisions and tackle tough choices. We do not compromise our values.

Independence

- We are objective, neutral, and impartial in providing advice and in discharging our professional obligations. Our professional judgement is not influenced by partisan politics or outside authorities. We are responsible to our members and earn their trust and confidence every day.

Probity

- We tell the truth. We are straightforward in our actions and honest in our relationships. When we say we will do something, we follow through and honor our commitments.